

DAVID Y. IGE
GOVERNOR



DENISE ISERI-MATSUBARA
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
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IN REPLY REFER TO:

Statement of
DENISE ISERI-MATSUBARA
Hawaii Housing Finance and Development Corporation
Before the

**SENATE COMMITTEE ON WAYS AND MEANS
AND
SENATE COMMITTEE ON JUDICIARY**

March 02, 2022 at 9:30 a.m.
State Capitol, Room 211

In consideration of
S.B. 2667 SD1
RELATING TO AFFORDABLE HOUSING.

The HHFDC supports S.B. 2667 SD1, which extends the deadline for HHFDC to renegotiate the ground lease for the Front Street Apartments affordable housing project before being required to initiate condemnation proceedings.

In 2019, HHFDC paid nearly \$15 million in order to acquire the leased-fee interest in Front Street Apartments from 3900, LLC. Unfortunately, there is ongoing litigation affecting the project, and HHFDC has been unable to obtain a definitive appraisal report on the fair market value of the ground lease for the property. Without such a report, HHFDC could not proceed with re-negotiation or condemnation of the ground lease by the deadline of December 31, 2021, as required by Act 150, SLH 2018 as amended by Act 98, SLH 2019 and Act 34, SLH 2020.

This measure is necessary to ensure that the state's hands are not unduly tied during the Front Street Apartments ground lease renegotiation.

HHFDC would like to note that the SD1 imposes a 5-year deadline. Because HHFDC is unable to ascertain when the courts will act, and there is nothing we can do to expedite this process in the meantime, HHFDC suggests striking out the 5-year deadline on page 3, Section 1, lines 7-13, as follows:

"SECTION 1. The Hawaii housing finance and development corporation [~~shall~~] may institute proceedings for the condemnation of the ground lease for the Front Street Apartments

affordable housing project pursuant to chapter 101, Hawaii Revised Statutes, unless the corporation has renegotiated the ground lease or issued a new ground lease on terms acceptable to the corporation ~~by December 31, [2021] 2026.~~"

Thank you for the opportunity to testify.

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February 28, 2022

TO: Honorable Donovan M. Dela Cruz, Chair
Senate Committee on Ways and Means

Honorable Karl Rhoads, Chair
Senate Committee on Judiciary

FROM: Alice L. Lee
Council Chair

DATE: February 28, 2022

SUBJECT: **SUPPORT OF SB 2667, SD1, RELATING TO AFFORDABLE HOUSING**

Thank you for the opportunity to testify in **SUPPORT** of this important measure. The purpose of this measure is to indefinitely extend the aforementioned deadline and help ensure the continued availability of affordable rental housing in Maui County at the Front Street Apartments in Lahaina.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **SUPPORT** this measure for the following reasons:

1. This measure indefinitely extends the deadline for the Hawaii Housing Finance and Development Corporation to renegotiate an existing, or issue a new, ground lease for the Front Street Apartments affordable housing project before the corporation's requirement to initiate condemnation proceedings is triggered.
2. Maui County has a severe shortage of affordable rental housing, especially in the western part of the island of Maui.
3. Front Street Apartments in Lahaina provides 142 rental units.

For the foregoing reasons, I **SUPPORT** this measure.